GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4937
ANSWERED ON:24.08.2001
TAXATION ON LIFE INSURANCE SECTOR
ANANTRAO GUDHE

Will the Minister of FINANCE be pleased to state:

(a) whether the experts group on taxation of Life Insurance Sector have submitted its report;

(b) if so, the details of the recommendations made by the Committee;

(c) the reaction of the Government thereto; and

(d) the decision taken/proposed to be taken on each of the recommendations of the Committee?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) : The Expert Committee on Taxation of Life Insurance Sector constituted under the Chairmanship of Shri V.U. Eradi has submitted its report.

(b) : The Committee has, inter alia, recommended that -

(i) the basic method for determination of taxable income in respect of the life insurance business should be the `valuation surplus` method;

(ii) the policyholders` share of surplus and the shareholders` profits (including the shareholders` share of surplus) must be separately assessed to tax;

(iii) the shareholders` assessable income should be fully taxed at the applicable rate of tax; and

(iv) the policyholders` assessable income should be taxed at a comparatively lower rate.

(c) & (d) : The report of the Committee is under examination.